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SUBJECT: RUSSIA MOVING INTO HIGH GEAR ON NANOTECHNOLOGY; ACTIVELY
SEEKING COOPERATION WITH U.S.

REF A: Moscow 3586, REF B: Moscow 3641

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11. (SBU) Summary: Since Russia's preeminent manager Anatoliy Chubays became Director General of Russia's Corporation of Nanotechnologies (Rusnano) on September 22, 2008 Rusnano has both bolstered its international reputation and begun investing in nanotechnology in Russia. To showcase Russia's commitment to and accomplishments in nanotechnology, Rusnano organized its first annual International Nanotechnology Forum on December 3-5, attended by more than 3,000 scientists, investors, businesspeople and officials from all over the world. High-level Russian government officials joined Chubays to emphasize Russia's interest in using nanotechnology to spur overall innovation and to diversify the Russian economy. While the Forum highlighted Rusnano's desire for international cooperation, many Rusnano officials noted in public and in private that the United States, with its lead in nanotechnology, is Rusnano's would-be partner number one. Chubays personally expressed his appreciation for the United State's high-level support for the Forum to Special Representative for Commercial and Business Affairs J. Frank Mermoud.

12. (SBU) In light of the economic crisis, Chubays is aggressively keeping Rusnano focused on demonstrating concrete commercial success as quickly as possible. Rusnano has already invested at least 6 billion rubles (USD 168 million, using today's rate 35.6 ruble = 1 dollar), and plans to invest some 20 billion rubles (USD 562 million) in more than 20 projects by March, and up to USD 10 billion more "in the near future." We learned during a January 30 visit to the nanotechnology cluster at the Special Economic Zone in Dubna that it will almost certainly take more time than Rusnano is anticipating for its projects to be realized. Chubays and a large delegation plan to visit the United States from May 3-9 to attend the Nanotech Conference and Expo 2009 in Houston, consult with business leaders in Silicon Valley, and meet with officials in the new administration in Washington. They expressed interest in developing a joint statement to capture our bilateral cooperation on nanotechnology. MFA officials proposed agreeing on an "action framework" to ensure that bilateral cooperation has specific results, such as exchanging technology and creating joint ventures. To avoid potential dual use and export control concerns, one MFA official argued that it is necessary to conclude a Technology Safeguards Agreement. End Summary.

Rusnano Forum Proclaims Russia Serious About Nano...

¶3. (U) Deputy Prime Minister Sergey Ivanov opened the December 3-5 Forum Plenary Session with an address from President Medvedev declaring that Russia has "all the necessary conditions to make future breakthroughs in the field of nanotechnologies, including government support, the interest of business, and strong intellectual potential." Ivanov quoted experts who expect the world nanotechnology market to grow from today's USD 147 billion to USD 3.1 trillion by 2015 and that global government, corporate and venture investment in nanotechnology totaled USD 13.5 billion in ¶2008. He confirmed that the Russian government will invest about USD 10 billion to develop nanotechnology in the next few years, half in research and development (R&D) and half through Rusnano in commercialization. Ivanov and later speakers, including Minister of Economic Development Elvira Nabiullina, stressed to the hundreds of plenary session attendees that by developing nanotechnology, Russia overcome the consequences of the global financial crisis more quickly, develop the spectrum of R&D and innovation, bring manufacturing to a new level, and improve people's lives.

¶4. (U) Rusnano Director General Anatoliy Chubays promised Opening Plenary participants that Rusnano will offer the best business conditions in the world for companies to begin manufacturing nanotechnology-enabled products in Russia. Rusnano will help scientists and businesses to work out business plans which will be reviewed by independent panels to establish both their scientific and their business viability. Chubays stated that in exchange for a minority share of stock, Rusnano can offer 90% of the financing for up to ten years with interest rates starting at 8 percent. When the time comes for Rusnano to divest itself, it will not seek the highest possible price for its shares. Chubays welcomed foreign firms, stressing that Rusnano's conditions would be the same for all firms. He promised that Rusnano would use its connections with the Russian government to cut through bureaucracy and corruption. Chubays declared both in his opening remarks and later in the press that Rusnano is ready to invest some 20 billion rubles (USD 562

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million) in more than 20 projects by the end of February.

... And Seeks International, Particularly U.S., Cooperation

¶5. (SBU) Rusnano officials have made it clear that Russia is looking for international cooperation. Many have noted in public and in private that the United States, with its lead in nanotechnology, is partner number one. From Chubays down, Rusnano actively sought U.S. participants for the Forum (ref A). Rusnano invited Special Representative for Commercial and Business Affairs ¶J. Frank Mermoud as the senior U. S. government official and featured Dr. Paras N. Prasad, Professor of Chemistry and Director of the Institute for Lasers, Photonics, and Biophotonics at State University of New York (SUNY), Buffalo, as the only international speaker at the Opening Plenary. Prasad captivated the audience with his presentation on the wide scope and tremendous promise of nanotechnology applications, including some ready for commercialization. Prasad and other U.S. business and scientific reps attracted significant attention from Rusnano, would-be private investors, and a myriad of business "facilitators" seeking to ride on their coattails.

¶6. (SBU) Rusnano also lobbied hard for other prominent U.S. government officials to attend the forum. Since Clayton Teague, current Director of the Federal National Nanotechnology Coordination Office, was not available, Rusnano invited James Murday, the first Director of the U.S. National Nanotechnology Initiative, to give the keynote presentation and then chaired the afternoon panel on December 3 on how governments can most effectively help develop nanotechnology. Murday shared lessons learned from the U.S. government's experience, cautioning that it takes many years to go from concept to prototype.

¶7. (SBU) At the second afternoon panel session on December 3, Mermoud described U.S. international efforts to develop nanotechnology. He expressed hope that Russia will participate even

more actively with the OECD Working Party on Nanotechnology as it develops policy related to commercialization and he urged Russia and other countries with nano programs to contribute financially to OECD projects. He welcomed Russia's plans to get involved with testing in the framework of the OECD's Working Party on Manufactured Nano-materials. He also reiterated the U.S. government's interest in exploring bilateral cooperation on areas also explored in July with the visiting Rusnano delegation:

-- Modeling and simulation of the properties of photonic and electronic materials at the nano-scale;

-- Modeling and simulation of the properties of engineered nano-scale materials in a biological environment, including predictive toxicology;

-- Self assembly of nano-structured materials and devices;

-- Instrumentation and techniques for characterizing physicochemical properties of materials at the nano-scale, including biological materials;

-- Instrumentation and methods for detecting and characterizing engineered nano-scale materials in the body or the environment, and protocols for evaluating their human health impacts and environmental effects; and

-- Nano-materials for water purification and environmental remediation.

A summary of Mermoud's remarks are posted on the Embassy's website in English and in Russian at:
<http://moscow.usembassy.gov/tr-mermoud120308.html>.

Chubays: Nano Cooperation Will Help Bilateral Relations

18. (SBU) In a private meeting with Mermoud on December 4, Chubays expressed appreciation for Ambassador Beyrle's and the U.S. government's support for the Forum. Chubays noted that he was "extremely upset" by the tenor of bilateral relations and wanted to avoid a return to the cold war dynamic. He expressed hope that U.S.-Russian cooperation on nanotechnology and high technology will help build a new dynamic in the bilateral relationship. He explained that Russian business and the Russian government have the

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next ten years to build the high-tech sector and put Russia on the global map. The resulting economic growth will strengthen Russia's development and integration with the rest of the world. The United States is number one in the world on high technology, so Russia sees the United States as its highest priority partner. Next in priority is cooperating with Israel, Europe, and Asia. Chubays confirmed he plans to spend a week in the United States in May 2009 to cement wide-ranging bilateral cooperation on nano and high technology, including meetings in Silicon Valley and Washington.

19. (SBU) Mermoud confirmed that Chubays and others had correctly understood that Mermoud's attendance at the Forum demonstrates the importance the Department places on cooperating with Russia on developing nanotechnology and economic and commercial relations. Echoing statements made by the President and Prime Minister on nanotechnology's potential role in lifting the entire economy, Mermoud welcomed Chubays' May trip, and suggested that Chubays consider also travelling to Raleigh Durham to meet with industry associations. When Mermoud indicated that U.S. companies have concerns with Russian IP practices and customs practices, Chubays immediately responded that Rusnano will be active and aggressive in protecting business. It will take time, Chubays added, but he is committed to get the corporation law and the tax, budget, and civil codes revised to support innovation. He expressed interest in hearing from U.S. companies concerning issues that impede high-technology development.

MFA Wants Concrete U.S.-Russia High-tech Cooperation, TSA

¶10. (SBU) Rusnano arranged for Mermoud and Embassy officers to meet on December 4 with Ministry of Foreign Affairs North America Department Deputy Director Nikolay Smirnov and Department for Security, Technological and Disarmament Affairs Deputy Director Andrey Krutskikh. Although they hailed Mermoud's attendance at the Nano Forum as a welcome, positive signal, both Smirnov and Krutskikh proceeded to give examples of how Russia has gotten "nothing" in return for its many previous political and economic concessions to the United States. Smirnov expressed hoped that we would work together in the months before Chubays's May 2009 visit to the United States as we did on the July 2008 visit of Rusnano officials.

¶11. (SBU) Krutskikh cautioned that Russia wants more than just U.S. speeches and exchanges of delegations on high-tech cooperation -- it wants concrete results such as exchanging technology and creating joint ventures with the United States, the world's number one high-tech power. The United States, however, Krutskikh mused, seems to have an innate resistance to real high-tech cooperation with Russia -- it lets cooperation go only to a certain point and then cooperation inexplicably hits a barrier. So if the United States does not want to truly cooperate with Russia, Russia has strong cooperation with Europe on the Eurolaser and other projects. Krutskikh pointed out that there are also good opportunities with Brazil, India, and China, albeit not as attractive as with the United States. (Comment: There is a market component to the relative lack of U.S.-Russia R&D cooperation. Russia's long and distinguished history of strong R&D is not market driven and often does not respond to what the world's industries and markets require. End Comment) Given the potential dual use and export control concerns of nanotechnology and high technology, Krutskikh argued that the United States and Russia should create an "action framework" for cooperation, including a Technology Safeguards Agreement.

Rusnano in a Rush to Find and Fund Viable Proposals

¶12. (SBU) After the Opening Plenary, the Forum bifurcated into two-and-a-half-day simultaneous business and science programs. Business presentations ranged from international experience on forming national innovative systems to measures to stimulate the development of financial, manufacturing and technology, information and educational infrastructure, support of the fundamental science, and improving legislation. Forum participants also discussed venture capital investment development in Russia, focusing on nano's applications in electronics, medicine and biotechnologies to mechanical engineering, oil and gas and chemical industry as well as to regional development programs in Russia. Rusnano intends to use its funds to leverage funding from venture capital firms, private companies, and the Russian Federation's Investment Fund, State Corporation "Development and Foreign Economic Activity Bank", and Open Joint Stock Company " Special Economic Zones. Rusnano speakers assured skeptical Forum participants that by 2015, the portion of

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the Russian enterprises nano products on the world market will grow from today's 0.07 to 3 percent.

¶13. (SBU) Chubays is in a hurry to show that he can deliver. Two days before the Forum, he demanded that Rusnano officials focus on demonstrating that the Forum was generating concrete results. With significant fanfare, Chubays, ONEXIM Group Head Mikhail Prokhorov, and Ural Optical and Mechanical Plant Director General Sergey Maksin used the Forum as a venue to sign an investment contract to establish an enterprise to manufacture 120 million solid-state light-emitting diodes annually. The diodes will eventually replace incandescent light bulbs. The element base for the light-emitting diodes will be made in the Saint Petersburg innovation zone in collaboration with the Ioffe Institute. Prokhorov, who founded the investment firm ONEXIM Group in May 2007, is on Rusnano's Supervisory Board. The Ural Optical and Mechanical Plant named after E.C. Yalamova" (UOMP) is one of the leading Russian enterprises in the area of designing and manufacturing optical and electronic devices for military and civilian uses. Under the terms of the 3.35 billion ruble (USD 94 million) project, Rusnano will

invest 1.7 billion rubles (USD 48 million) for a 17 percent stake, the plant will invest some 620 million rubles (USD 17 million) for a 33 percent stake, and Onexim will invest 840.5 million rubles (USD 24 million) and control 50 percent together with the scientists who developed the project. The project is expected to become profitable by 2011 and earn a profit of up to 6 billion rubles annually by 2013. Hailing the deal, Chubays said the LED lamps, for use in home and office displays as well as in cell phones, would eventually account for around 1 percent of the Russian market and consume seven times less energy than an ordinary electric lamp.

¶14. (U) The most significant international agreement Russia signed at the Forum was with Finland to establish an information exchange on national policy for nanotechnologies, scientific research, potential markets, certification and standardization of nano research results and intellectual property rights protection for nanotechnologies. A key component of the agreement involves cooperation on commercialization of Russian and Finnish nanotechnology developments and developing a road map for the way ahead.

¶15. (SBU) U.S. businesses received substantial attention. In a private meeting on December 5, Chubays invited SUNY Buffalo's Paras Prasad to serve as an International Nanotech Expert Technical Adviser and agreed to visit Buffalo during his May visit. (Note: Rusnano officials have since confirmed that this will not be possible. End Note.) After Chubays expressed interest in developing and licensing Prasad's firm's technology for medical diagnostics for manufacturing in Russia (a Flow Cytometry project and a R&D project on chemical and biosensors with Academician Professor Alfimov, Director of the Photochemistry Center), Rusnano assigned a project director and contacted Prasad repeatedly to help him to apply for Rusnano funding. During their December 5 meeting, Prokhorov noted that he had been impressed with Prasad's presentation and also expressed interest in visiting Prasad in Buffalo. Chubays also met privately to discuss cooperation with the Chief Executive Officer of Nano-dynamics, a Buffalo firm that produces nano-cement.

¶16. (SBU) EST arranged for the U.S. delegation to the International Science and Technology Center (ISTC) Governing Board and ISTC Acting U.S. Deputy Executive Director Tim Murray to meet on December 10 with Sergey Mostinskiy, Rusnano Director for International Cooperation, and Rusnano Senior Advisor Vladislav Chernov to explore possible mechanisms for Rusnano to fund commercialization of ISTC nanotechnology projects (ref B). Murray gave an overview of a nano-titanium and a brachio-therapy bio-seed proposal for which ISTC had already funded pilot projects. Both ISTC partner companies have had initial dialogue with Rusnano regarding larger-scale funding, and are in the process of preparing concrete proposals for Rusnano's formal consideration. Mostinsky subsequently arranged a February 12 joint workshop with the ISTC to brief Rusnano officials about potential opportunities for collaboration, as well as exploring holding a roundtable with ISTC partners for Chubays in the United States in May. On February 5, EST Counselor also gave Rusnano officials a summary from the U.S. Civilian Research and Development Foundation (CRDF) of its work to determine if Rusnano is interested in cooperating with CRDF as well.

Rusnano Dependent on, but Not Interested in Funding Science

¶17. (SBU) Rusnano officials have made it abundantly clear that Rusnano is not interested in funding scientific research. Although

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the Forum featured two-and-a-half days of a total of 263 scientific presentations in 29 areas by 80 firms and organizations from Russia, Austria, Germany, Latvia, the U.S., Finland, and Iran, Rusnano International Affairs Department officials told us after the Forum that they do not expect next year's forum to have a science component. The science exhibits, covering 18 main nanotechnologies and nano-material development possibilities, were almost exclusively in Russian. Few of the exhibitors spoke English. Nano-enabling technology, such as electron microscopes and atomic force microscopes that Russia is already commercializing and selling on the international market was on display. Russia's strength in

material science, in particular metallurgy and ceramics, was evident by the large number of exhibitors showing various powders and coatings, such as mono-crystalline and multi-crystalline silicon for solar cells. Russian companies also supply carbon nanotubes to international market. In January, Deputy Prime Minister Ivanov confirmed in a press article that Russia did not display its most most advanced formulations.

¶18. (U) The Forum showcased several signing ceremonies. Flanked by Deputy Prime Minister Ivanov and Minister of Education and Science Fursenko, Chubays signed cooperation agreements with two of Russia's leading scientific institutions. In the agreement Chubays signed with President of the Russian Academy of Sciences (RAS) Yuriy Osipov, RAS agreed to assist Rusnano to define the key directions for developing nano-industry, to cooperate in commercialization projects on nanotechnologies, nano-materials and nano-systems, and in the development of competitive scientific and technical schools in Russia. To achieve these goals, Rusnano and RAS will jointly train professionals for nano-industry and work to attract young specialists, post-graduate students and post-doctoral researchers to the field of nanotechnologies.

¶19. (SBU) Chubays also signed an agreement with Moscow State University (MGU) Rector Viktor Sadovnichiy. On December 6, Professor Yuriy Tretyakov, Dean of MGU's Department of Materials Science, gave Mermoud a tour of the department and laboratories which he founded in 1991 on the U.S. interdisciplinary model, combining chemistry, physics, mathematics, and liberal arts. Tretyakov and Deputy Department Director Aleksey Lukashin described the rigorous selection process for the 200 students in their department. Those that make it through the program are in high demand by foreign universities and companies. While hardly any remained in Russia during the 1990s, more have chosen to stay in the past 2-3 years because of the improvement in the economic situation. (Numerous MGU students and graduates were featured in the over 300 nano-projects displayed at the Forum by young Russian scientists. End Comment.)

¶20. (SBU) Tretyakov agreed with Chubays's Opening Plenary statement that Rusnano needs to build a bridge between science and business. But he opposed Rusnano's decision not to fund fundamental research. (Note: Although USD 5 billion was reported to have been invested in nanotechnology-related science, it has apparently gone primarily to the Kurchatov Institute and Special Economic Zone Dubna. As Tretyakov guided Mermoud through the earnest, but antiquated laboratories dotted with occasional newer equipment and the low-tech classrooms, it was evident that MGU is still in serious need of upgrade. End Note) Without a single nanotechnology international patent, he argued, it will be hard for Russia to manufacture. Scientists need over USD 250,000 to get an international patent and then must manufacture to keep it. Only Rusnano can provide both. One of the MGU scientists pointed out that only one of the seven projects Rusnano has agreed to fund has a legitimate nanotechnology connection. Tretyakov described MGU's close relationship with the RAS institutes, whose aged researchers need MGU's youth. Like MGU, RAS has gotten very little money for nanotechnology. But Tretyakov was hopeful that as Chubays gets better acquainted with the situation and with MGU, which he has asked to develop a course to train his personnel, he will direct more funding to MGU.

Emerging Nanotech Cluster at SEZ Dubna

¶21. (SBU) On January 30, EST counselor and staff visited Special Economic Zone (SEZ) Dubna, one of 13 SEZ's in Russia, about 100 km north of Moscow. Aleksandr Rats, the Head of the Federal Agency for Management of SEZ's Territorial Directorate, briefed us on Dubna's history as a closed Soviet science city and expressed hope that Dubna would one day become Russia's Silicon Valley. Established in 2005, SEZ Dubna's main goal is to provide favorable conditions (such as tax and customs holidays) to facilitate the development of high

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technology industries, particularly new products and services in nanotechnologies, nuclear-physical technologies, and information

technologies. Highlighting the importance of SEZ Dubna to Russia's plans to develop high-tech, President Medvedev visited in April 2008, declaring that "the projects being implemented here are such that nobody in the world has tackled..."

¶22. (SBU) Two major agreements boosted Dubna's attractiveness to potential nanotechnology investors: an agreement between SEZ Dubna and Rusnano, signed on April 25, 2008, forming its nanotechnological cluster and the creation of the CIS Intergovernmental Center of Nanotechnologies announced at an October 3, 2008 meeting of the Heads of the State Authorities on Science from CIS countries. According to Rats, there are currently 32 resident companies registered in SEZ Dubna, and space ultimately for up to 300 total enterprises. Rats and his staff treated EST staff to an insider's tour of the 300 hectare SEZ territory, pointing out as yet undeveloped sites which are already earmarked for specific nanotech companies. One of these companies, U.S.-owned firm and Russian-registered Bonasana, is awaiting Rusnano approval of funding for its proposed project to build a pre-clinical trial nanotech testing facility. Despite SEZ Dubna's clear promise, Rats and his staff were candid about obstacles to producing innovation, including: (1) lack of a NASDAQ-type mechanism in Russia that would allow ordinary citizens to invest in S&T; (2) lack of unified procedures in patent laws and arcane intellectual property laws; and (3) lack of a fully developed business culture in Russia. Rats and colleagues were sanguine that SEZ Dubna will meet its objectives, if businesses are patient.

¶23. (U) In November 2008, Rusnano approved a 1.29 billion ruble investment in SEZ Dubna's Trackpor Technology to establish commercial production of medical technology for "cascade filtration of blood plasma" (a high-tech method of cleansing blood using nano-sized flat track membranes) to remove harmful substances from and destroy viruses in blood. This project could have enormous medical value as it is directed towards the treatment of a number of widespread cardiovascular and other related diseases which contribute to a high mortality rate in Russia, with 1.5 million deaths per year from heart disease alone. The project will be realized in three stages over a 6.5 year period. Emboffs were fortunate to visit Trekpor's existing small-scale production facility, see its existing blood cleansing device, and learn first-hand from its scientists about proposed technological improvements using Rusnano investment funds which should allow large-scale production of a third generation "membrane plasmapheresis" (aka blood plasma filter) device by 2011. Planning for Chubays's Visit to U.S. - Joint Statement?

¶24. (SBU) On Feb. 5, 2009, ESToffs met with Rusnano International Cooperation Department officials Sergey Mostinskiy and Vladislav Chernov to begin coordination for Rusnano Director Chubays's May 3-9, 2009 planned visit to the United States. Mostinskiy described Rusnano's restructuring plans complete with an increase in personnel, Chubays's proposal to the government that Rusnano take on additional functions to catalyze innovation. Chubays will likely announce soon a new working title "Chairman of the Board, Director General." Chernov elaborated Chubays's three main goals for the trip:

-- Science and technical: widening areas for cooperation with the United States, the leader of the nanotechnology. A key part of this is Rusnano's participation in the Nanotech Conference and Expo 2009 in Houston for which Chernov said Rusnano is "preparing intensively." Chubays plans to deliver a keynote speech in Houston on May 5th and Rusnano plans to have a 40-square-meter exhibition stand. Rusnano is still discussing internally what to display because to date, Rusnano hasn't actually produced any commercial nanotech products;

-- Business/economic: Mostinskiy explained that Chubays is anxious to attend an "Open Door Conference" in Silicon Valley sponsored by Intel and Hewlett-Packard to strengthen his contacts with U.S. big business with a view toward setting up informational exchanges and possibly joint programs in nanotech safety. They are hoping that reps from these firms will attend Rusnano's next forum scheduled to be held in Moscow in October, which they promised would be "much better" than the first one. Mostinskiy added that they would welcome any additional help from the U.S. Government to establish other points of contact in Silicon Valley. Rusnano wishes to send a

small "reconnaissance" delegation to the U.S. in the April time-frame to try to finalize the Silicon Valley agenda. Post is working closely with Rusnano to facilitate the visa application

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process of its delegation members.

-- Political: establishing contacts with the new Administration officials and meeting with those he already knows. Chernov joked that Chubays is a consummate "political animal" who will want to meet with key U.S. government officials. (Note: A close Chubays advisor specified to poloff that these officials include the Vice President.)

¶25. (SBU) Mostinskiy suggested the U.S. and Russian sides work together to prepare some kind of "political document" establishing our joint interest in establishing a high-tech relationship in the field of innovation of "nano-technology". He suggested this document might take the form of a joint statement that might possibly be announced or read at the first ministerial between Secretary Clinton and FM Lavrov, even before Chubays's U.S. visit. EST offs agreed to draw up some initial draft working blocks which might be included in such a statement to send to Washington for review. Although EST counselor emphasized USG interest in engaging Russia on the environment, health and safety aspects of nano R&D, Chernov quickly pointed out that the GOR, not Rusnano, has the natural lead on these issues. "We are a venture fund, not a research lab," said Chernov.

Other Rusnano News and Goals

¶26. (SBU) In January, Chubays publicly pronounced that Rusnano plans to ramp up its procedures significantly in the coming weeks with the target of approving 5-6 funding projects monthly from June 2009 onward. Nevertheless, Mostinskiy and Chernov frankly confided to Emboffs that Rusnano is clearly still in a transition phase, both in cementing efficient operational procedures and even physically -- they will be relocating their 300 plus staff to a new building by September. To date, while Rusnano has approved only seven projects and allocated 6 billion rubles in funding (including the Trekpor project at SEZ Dubna discussed above), Mostinskiy hinted at the incredible pressure they are facing to show the public they can fulfill their goal of helping Russia increase its stake in the nanotechnology field, and even to minimize the consequences of the financial crisis in Russia. "We need a success story badly," he lamented. To that end, Mostinskiy informed us that there are several proposals, "including from U.S. companies," that are currently under review and consideration by the Supervisory Council with the expectation of being approved in the immediate future. And to make the process more transparent, Rusnano now intends to post all approved projects on its Internet website for public information hereafter.

Comment

¶27. (SBU) While Rusnano has made great advances since September in both its public relations and in setting up structures and procedures, much work must be done if Rusnano seriously aims to achieve 900 billion (USD 25 billion) rubles worth of nanotech production by 2015. International Forum presenters were frank - if Russia wants to become a global nanotech player, it needs to continually improve its innovation environment by improving education, the business environment, entrepreneurship, and developing early stage capital. It also needs to rely on the market. International presenters were unanimous - to be successful, Russia needs to develop a realistic country strategy that relies on Russia's traditional strength in fundamental research and focuses on expanding industries where Russia has competitive advantage, such as oil and gas or perhaps construction. Trying to break into a mature industry with ample global production capacity, such as electronics and photonics, they pointed out, makes little sense. Finally, they warned, it can take millions of dollars of investment over more than a decade for even a prototype to be developed.

¶28. (SBU) Russian policymakers hail Chubays as Russia's most effective manager and declaim that if he cannot succeed in bridging

the historical, yawning gap between science and business, no one else in Russia can. Chubays and Rusnano will need some time to develop Rusnano's portfolio of nanotechnology-related projects. But the combined financial and economic crisis puts them under great pressure to show quick results. Rusnano officials have told us they are not interested in any investment under USD 10 million and are seeking projects that can result in production in the next 2-3 years. Time will tell if Chubays will be able to protect his war chest from the depredations of both frantic budgeteers and those who don't understand nanotechnology's long time-frame, that markets should drive R&D, and that top-down, Soviet-style programs to develop high technology and manufacturing in every sector will be

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counterproductive.

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